



KING COUNTY AUDITOR'S OFFICE

Workers' Compensation Program Performance Audit

King County's workers' compensation costs grew by 36 percent between 2001 and 2004, while the number of claims grew by only one percent. This performance audit attempted to identify the reasons for growing workers' compensation costs, and whether the county is following best practices for controlling those costs.

Much of the growth in costs is attributable to claims by employees of the Transit Division of the Department of Transportation. The cost of claims by Transit employees far exceeds those of other county agencies and other transit agencies in Washington. High costs at Transit arise, at least in part, from an enhanced workers' compensation benefit provided in the collective bargaining agreement between King County and the Amalgamated Transit Union Local 587. This enhanced benefit creates a disincentive for injured workers to return to work, because their take-home pay can be higher while on time-loss (leave due to work-related injury) than while working.

The county Office of Safety and Claims Management (SCM) follows many best practices for controlling workers' compensation costs, but further improvements could be made. Despite these cost control efforts, costs have continued to increase, particularly for the Transit Division. Also, SCM does little to measure the effectiveness of its cost control efforts.

The audit recommendations attempt to enhance cost control efforts by eliminating the disincentive for injured workers to return to work, and by further utilizing best practices for controlling costs.

Cost Growth

Growth in workers' compensation costs is primarily attributable to increasing utilization of services (e.g., more medical procedures and days of time-loss) per claim, rather than to growth in claims or inflation.

Cost Comparisons

Excluding Transit, King County's workers' compensation costs compare relatively favorably with other local governments in Washington. However, costs at King County Transit are far higher than other county agencies, or other transit agencies in Washington.

Role of Collective Bargaining Agreement

The collective bargaining agreement between King County and the Amalgamated Transit Union Local 587 provides an enhanced time-loss benefit to injured workers that far exceeds the state-mandated benefit level. It also exceeds that of other county bargaining units, most of which have no enhancement above the state-mandated level. The enhanced benefit creates a disincentive for injured workers to return to work, because they can receive higher take-home pay while on time-loss than while working. Research suggests that the enhanced benefit could explain why Transit's workers compensation costs greatly exceed those of other county agencies and other transit agencies in Washington.

Best Practices for Controlling Costs

SCM follows many best practices for controlling workers' compensation costs. In particular, SCM has saved money by reviewing bills submitted by health care providers and ensuring that the amount charged does not exceed the state's fee schedule. SCM also conducts utilization reviews of medical bills to ensure that the services provided are appropriate for treating the workplace injury. Further, SCM manages claims in a timely manner and has a return-to-work program in place.

However, SCM could further strengthen its cost control efforts by:

- Reducing delays between when injuries occur and when they are reported;
- Monitoring performance in achieving return-to-work goals;
- Measuring the effectiveness of cost control efforts; and
- Strengthening practices to deter workers' compensation fraud.

Recommendations

The report includes 9 recommendations that are intended to eliminate the disincentive for injured workers to return to work, promote better adherence to best practices, and more thoroughly measure the performance of cost control efforts.

Executive Response

The Executive concurs with the report's findings and recommendations.